Approved For Release 2001/03/17 : CIA-RDP82-00457R00560051 CONFIDENTIAL COUNTRY Austria/USSR DATE DISTR. 12 SEP SUBJECT Recent Developments in USIA NO. OF PAGES 3 25X1A PLACE NO. OF ENCLS. **ACQUIRED** DATE OF 25X1A SUPPLEMENT TO INFO. 25X1X REPORT NO.

USIA Sponsoring Illegal Imports to Acquire Funds and Unload Surplus Products

- Aside from the fact that the Austrian consumers market is still dorment, more and more USIA firms are facing bankruptcy because they cannot compete with non-USIA and foreign manufacturers.(1) In order to acquire ready cash and to unload surplus products, a number of USIA production administrations have started to sponsor the free import (Freischreibung) of commodities for Austrian businessmen who are willing to take over unsalable USIA products.
- 2. This method of pushing USIA's business apparently has the approval of ranking USIA officials. In fact, Vladimir Tikhomirov, Soviet Director General of USIA, recently authorized Punin, chief bookkeeper of A/O Avtovelo, Automotive and Fine Mechanics Department of USIA, to suchsor a shipment of 160 tons of sugar which Fritz Durst, Gemischtwaren u. Mineraloel Grosshandel, import—export, Vienna VII. Neubaugasse 21, has imported from the Havlicek firm in Trieste. In exchange for this service Durst has agreed to bay A/O Avtovelo 160,000 schillings in cush for a sizeable lot of goods which this department has had on hand for several months.(2)
- 3. In the course of his negotiations with Hoschtl, Burghart and Durst, all representatives of Fritz Durst, Punin learned that these men have concluded similar agreements with Medveyev, a Soviet official in the Hotel Imperial. Other Avtovelo officials have learned that USIA's Food Industry Administration has just made a comparable arrangement with an Engr. Wretscha and that Frau Olga Frudwald, a well-known Vienna businesswomen, has asked the Sales and Purchasing Office of USIA's Electrical Industry Administration to sponsor a shipment of three carloads of neon tubing, valued at 2,500,000 schillings, which she has just imported from Germany. (3)
- 4. Allegedly on the grounds that he does not want to do business with the well-known, Communist-controlled export-import firm, "Intrac" Gesellschaft fuer Internationalen warenaustausch und Grosshandel m.b.H. because of its unsavory reputation, Hoechti has also asked A/O Avtovelo to import 50 carloads of corn, white beans, linseed meal, potato pulp and oats which the Fritz Durst firm wisher to procure from Hungary. (1) A/O Avtovelo efficials have not yet accepted Hoechtl's proposal.

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CENTYAL INTELLIGENCE AGENCY

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Com rent Rogoli ations Between USBA and Introc G.m.b.H.

Another indication of latrac's loss of prestige is seen in its current negotistions with A/O stovelo officials. Intrac has offered to handle on behalf of A/O Avtovelo the sale of certain so-called compensation goods in Hungary provided that i' is named sole representative in both Hungary and Rulgaria products manufactured by Avtovelo firms particularly those of Austro-Fiat. USIA officials believe Intrac officials are prepared to sign a contract and would be willing to offer them sone sort of sales guaranted But derive pressure from USIA Headquarters to push the sale of surplus raw materials and products, A/O Avtovelo officials have divised Intrac that they will not sign a contract until Intrac has completed a veral transactions on their behalf. It is possible that this deficion may have from influenced by Churushenkov, Shoe Canko's successor as irector of USIA's central Commercial Bureau, who recently told Pshenichniov, director of the A/O Avtovelo Sales and Purchasing Office, that Intrac no has a bad reputation (3)

Trade with Hi / ary

6. USTA Her, quarters has just issued an order forbidding USTA enterprises to accept as compensation any products similar to those manufactured by USTA firms. Is a result of this order, the A/O Avtovelo Department cannot accept the shell flass which Mögurt N.V., Budapest, Szeffi utca 5, recently offered as payrant for five Austro-Prat trucks and an unknown number of hydraulic dump trucks. As it now stars A/O Avtovelo officials will probably have to settle for Eungarian foodstrifs if they intend to do business with Hungarian firms.

Dismantly &

7. The oviets have resumed dismantling operations at the Hirtenberger Palronengabik plant. USIA employes have learned that several hundred machines are tops scrapped in accordance with a Moscow order which Tikhomirov received for the Hotel Imperial scretche in January 1950.

Soy : Orders

ire pactive U.D.A Customers

-). Caring the past three weeks//O Avtovelo Sales and Purchasing Office has recalled the following effect:
 - r. Hebrusch Hertz & Go., Ywas [Goldschmidgasse 10, has asked/hytovolo to quote its prices in pour; sterling f.o.b. European ports/Diesel moters, narrow-gauge Diesel hoot; tives, winches, wiring equipment, manematers, electrical units, tools id meas. He to desires these commodities for shipment to the Far East.
 - b. "Ostex", Import- and Export 1-m.b.H., Vienna VI, Theobaldgasse 19, has advised A/O Avtovelo that A is interested in purchasing Diesel motors for shipment to Argentina.
 - c. Or. Schwimmer, Vicama INE Ungligesse 12/6, wishes to purchase 50 bases, trucks, and Diesel motors for lucks on behalf of the Meier Balass firm in Teheran. (7)
 - d. J. M. Proschek, Vienna W, Sru knerstrasse 2, has informed A/O Avtovelothat he would like to be sale epresentative of Avtovelo products in the Western provinces of Abstract



CENTRAL INTELLIGENCE AGENCY

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Personnel Changes in USIA Headquarters

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- 10. P. Kabalevski has been appointed deputy to Tikhomirov, Soviet General Director of USIA. Tikhomirov's interpreter, Schapira, has been recalled to Moscow and it is reported that he will be assigned to Berlin where he will continue to work as an interpreter for USIA.
- 11. Following a two months' vacation in Moscow, Khotkov, Chief of USIA's Legal Department, was suddenly recalled to the USSA. Khotkov is scheduled to return to Vienna 20 June 1950 and USIA employees believe he will bring new directives from Moscow. For Bagdazarov, counsellor of the Legal Department,

25X1A has been transferred to Berlin. 25X1X

(1) Comment: According to an unprocessed report, and dated

25X1C the Soviets are preparing to dump large quantities of USIA products on the Austrian market in another attempt to undersell their sompetitors. In this connection it is also interesting to note that a usually reliable source reported 31 May 1950 that the UDIA-controlled J. M. Voith has not received any Soviet orders since September 1249.

25X1A (2)

(3) Comment: Fruehwald is one of six Austrians recently hired by Mitter-bacher & Wagner to courable its now subsidiary firm, the Austro-Transan rading Company in Teheran. Frau Fruehwald and her colleagues have signed a two year contract and they will leave for Teheran in the very near future.

25X1A (A) Comment: It is removed that the Light Industry and Food Industry
Administrations of USIA are planning to establish in Vienna several retail
stores which will serve as outlets for textiles, leather goods, and foodstuffs
brought into Austria illegally i.e. duty free from the Satellites.

25X1A (5) Comment: Many Austrian businessmen are non reductant to do business with Intrac G.m.b.H. as a result of the hostile campaign which the Vienns press has waged against this firm during recent weeks.

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25X1A (6) for a more detailed account of Aviovelo's current negotiations with various Hungarian firms.

(7) Comment: Dr. Schwimmer is not listed in the 1950 Handels of Industrie Compasses; however, he may be identifical with the debringer those soldier mentioned in

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